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SUBJECT: FUNES WORKING WITH LIKEMINDED LEADERS TO RECOGNIZE PRESIDENT LOBO

CLASSIFIED BY: Robert I. Blau, Charge d'Affaires, Department of State; REASON: 1.4(D)

11. (C) SUMMARY. President Funes told visiting EEB Assistant Secretary Jose Fernandez that he, President Colom of Guatemala, and President Fernandez of the Dominican Republic are working on building consensus among Central American leaders to publically recognize the Government of Honduras. Assistant Secretary Fernandez stressed the importance of the upcoming Pathways to Prosperity ministerial and suggested that El Salvador should maintain its productive role and be prepared to give a presentation. Funes expressed concern about the divisions in Salvadoran society over worsening violence and appealed to the USG to convince the private sector to support GOES efforts to combat gangs and organized crime. Funes concluded by asserting that his pro-U.S. posture has been justified by consistent and reliable cooperation with the USG since his inauguration. END SUMMARY.

HONDURAS

12. (C) During a February 4 meeting, President Funes told Assistant Secretary Fernandez that he has been diligently working behind the scenes with Guatemalan President Colom and Dominican President Fernandez to build support among Central American leaders to recognize the government of Honduran President Lobo. Funes said El Salvador will be appointing a new Ambassador to Honduras in the near future and emphasized that the previous Salvadoran Ambassador was removed in December due to his allegiance to former-President Saca, not out of protest. Funes said the governments of Costa Rica and Panama have already publicly indicated their support and the sole remaining obstacle for consensus is Nicaraguan President Ortega. He stated that deposed President Zelaya's former Foreign Minister, Patricia Rodas, with the assistance of the ALBA block, is still working hard to generate discord and block consensus recognition.

13. (C) Funes stated that both he and Colom agree that normalizing relations with Honduras is a necessity due to the strong commercial ties that bind Guatemala, Honduras and El Salvador. He added that border closures with Honduras organized by Central American countries after Zelaya was removed from office resulted in millions

of dollars of losses for Salvadoran businesses, an experience they are not keen on repeating. Funes believes that if he and Colom are successful in their efforts to build consensus, the next steps will be to welcome back Honduras into the OAS and reestablish its relationship with the Inter-American Development Bank (IDB).

PATHWAYS TO PROSPERITY

¶4. (C) Assistant Secretary Fernandez emphasized to President Funes the importance of maintaining a productive role in the upcoming Pathways to Prosperity ministerial in Costa Rica and urged him to have his government give a presentation. Funes stated that El Salvador is considering presenting their conditional cash transfer (CCT) project called "Comunidades Solidarias" at the ministerial. Assistant Secretary Fernandez suggested inviting Mexico and Brazil to join them to share their experiences with CCT programs.

COMBATING CRIME

¶5. (C) Funes told the Assistant Secretary that he is concerned about the divisions in Salvadoran society created by his government's ongoing battle against gang violence and crime. He said although GOES efforts to use the military in conjunction with the police have yielded results, recent incidents, including grenade attacks, have unnerved the public and prompted the business community to urge tougher GOES measures. Funes mentioned that he is worried that if the divisions deepen, the business community will lose confidence in his government. Funes said he plans on holding meetings with the business community, universities, church representatives, and local mayors to build support for his fight against crime. Funes told Assistant Secretary Fernandez that the USG can be of help by talking to the private sector and convincing them to provide more revenue to the GOES, specifically to bankroll a proposed \$25 million expansion of the National Police.

FUNES VS. HARDLINE FMLN

¶6. (C) Funes told Assistant Secretary Fernandez that the hard-left of the FMLN is constantly working against him and unsanctioned comments made by Vice President Sanchez Ceren have generated deep distrust of his government in the private sector. Funes explained that he was elected because he represented a moderate-left voice, but now he feels that despite having 80-percent public approval ratings, both the right and left are opposed to his administration. He reiterated to Assistant Secretary Fernandez that his government's relationship with the U.S. is a top priority and mused about the FMLN's suggestion to inscribe in Chavez's 21st Century Socialism movement, saying "what do I get from Venezuela?"

COMMENT

17. (C) Assistant Secretary Fernandez' visit provided more high level reinforcement that the USG is a reliable partner and Funes can continue to depend on our support. Although Funes' decision to recognize President Lobo's government is inevitable, the decision will be hugely unpopular with the hard-left of the FMLN who are heavily influenced by ALBA. While Funes is working hard to craft responsible policy and build trust with the private sector, his efforts are consistently undermined by the hard-left of the FMLN. USG engagement with the private sector and continued public signals of support for President Funes has been and will continue to be necessary.

18. AS Fernandez cleared this message.
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